

Message Text

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ACTION EUR-25

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TO SECSTATE WASHDC 7099
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E. O. 11652: GDS
TAGS: PFOR, ETRD, GW, UR
SUBJ: FRG-USSR NEGOTIATIONS ON KURSK STEEL COMPLEX

REF: MOSCOW 3356

1. DURING QUADRIPARTITE MEETING MARCH 21 FRG AMBASSADOR SAHM COMMENTED THAT A GERMAN NEGOTIATING TEAM HAS ARRIVED IN MOSCOW TO COMPLETE FINAL ARRANGEMENTS FOR FRG PARTICIPATION IN THE KURSK IRON/STEEL COMPLEX. SAHM EXPECTS THAT THE WRITTEN CONTRACT WILL BE SIGNED TODAY BY DEPUTY FOREIGN TRADE MINISTER KOMAROV.

2. SAHM COMMENTED THAT ABOUT TWO WEEKS AGO, DURING HIS SECOND CONVERSATION WITH BREZHNEV, FRG MINISTER EGON BAHR HAD RECEIVED A PERSONAL MESSAGE FOR CHANCELLOR BRANDT. MESSAGE STATED IN ESSENCE THAT THE SOVIETS WILL PAY TWO BILLION DEUTSCH-MARKS IN CASH FOR FRG CONTRIBUTION TO CONSTRUCTION OF THE FIRST PHASE OF THE KURSK COMPLEX, AND THAT THE SECOND PHASE OF THE PROJECT WOULD BE FINANCED ON A "COMPENSATORY" BASIS, INCLUDING FRG-PROVIDED CREDIT WITH REPAYMENT IN PLANT OFFTAKE. BRANDT'S ANSWER, ACCORDING TO SAHM, WAS POSITIVE.

3. COMMENT: THIS DECISION BREAKS TWO-MONTH DEADLOCK ON FINANCIAL ARRANGEMENTS (REFTEL AND PREVIOUS) AND REPRESENTS CONSIDERABLE CONCESSION BY SOVIETS, WHO HAVE BEEN SEEKING TO HOLD THE LINE ON REQUIREMENT FOR CONCESSIONARY FINANCING FOR MAJOR INDUSTRIAL PROJECTS OBTAINED FROM FOREIGN SUPPLIERS.

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